

P-501, 421/CP-90-357 ORDER REQUIRING THE FILING OF COST STUDIES  
AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson  
Cynthia A. Kitlinski  
Norma McKanna  
Robert J. O'Keefe  
Patrice M. Vick

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition for  
Extended Area Service From the  
Bena Exchange to the Cass Lake  
and Bemidji Exchanges

ISSUE DATE: December 17, 1990

DOCKET NO. P-501, 421/CP-90-357

ORDER REQUIRING THE FILING OF  
COST STUDIES AND PROPOSED RATES

**PROCEDURAL HISTORY**

On May 14, 1990, subscribers from the Bena exchange of Arrowhead Communications Corporation (Arrowhead) filed a petition for extended area service (EAS) to the Cass Lake and Bemidji exchanges of Northwestern Bell Telephone Company (NWB). Cass Lake and Bemidji have EAS to each other. Bena does not have EAS to any other exchange.

On June 22, 1990, the Minnesota Department of Public Service (the Department) established a schedule for the filing of traffic studies, cost studies, and proposed rates. The Department based this schedule on the current EAS Rule (Minn. Rules pt. 7815.0700 - 7815.1500).

On July 27, 1990, NWB filed a request for a variance to process this EAS petition according to the new EAS law, rather than the EAS rule.

On August 7, 1990, Arrowhead's accounting firm filed traffic studies for the Bena to Cass Lake and Bena to Bemidji EAS routes.

On October 8, 1990, NWB filed cost studies and proposed rates for only the Bena/Cass Lake EAS route.

On November 20, 1990, the Commission met to consider this matter.

**FINDINGS AND CONCLUSIONS**

The new EAS legislation, Minn. Stat. § 237.161 (1990), provides that a request to install EAS will be granted when the following three criteria have been met:

1. the petitioning exchange is contiguous to an exchange or local calling area to which extended area service is requested in the petition.
2. at least 50 percent of the customers in the petitioning exchange make one or more calls per month to the exchange or local calling area to which extended area service is requested, as determined by a traffic study; and
3. polling by the Commission shows that a majority of the customers responding to a poll in the petitioning exchange favor its installation, unless all parties and the Commission agree that no polling is necessary. Minn. Stat. § 237.161, subd. 1(a)(1-3) (1990).

#### The Adjacency Requirement

Bena, the petitioning exchange, is adjacent to the Cass Lake exchange because these two exchanges share a common boundary. Bena does not share a boundary with the Bemidji exchange, the other exchange to which it seeks EAS. However, it does share a common boundary with the Cass Lake-Bemidji local calling area. Therefore, Bena meets the adjacency requirement with respect to Bemidji as well.<sup>1</sup>

#### The Traffic Requirement

The traffic requirement is met if a traffic study shows that

- (3) at least 50 percent of the customers in the petitioning exchange make one or more calls per month to the exchange or local calling area to which extended area service is requested....  
[Emphasis added.]

Minn. Stat. § 237.161, subd. 1 (a) (3) (1990).

The Cass Lake and Bemidji exchanges constitute a local calling area because each has EAS to the other.<sup>2</sup> The traffic study

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<sup>1</sup> The EAS statute requires that the petitioning exchange be "...contiguous [adjacent] to an exchange or local calling area..." to which it requests EAS. Minn. Stat. § 237.161, subd. 1 (a) (1) (1990).

<sup>2</sup> In the Sherburn/Fairmont EAS case, the Commission found that "local calling area" as used in the EAS statute consisted of "two or more exchanges which all have EAS to each other." In the Matter of a Petition for Extended Area Service From the Sherburn Exchange to the Fairmont Exchange, Docket P-405/CP-89-1080, ORDER

provided in support of the Bena petition shows that more than 50% of Bena's subscribers made a call to the Cass Lake/Bemidji local calling area. Therefore, the Bena petition meets the traffic requirement of the statute.

#### The Subscriber Support Requirement

The third and final criterion is that a Commission poll of Bena subscribers must show that 50% or more of subscribers responding to the poll favor installation of the proposed EAS routes.

To enhance the validity of the poll, the Commission is required to make available to the subscribers the rates to be charged for the proposed EAS routes. Minn. Stat. § 237.161, subd. 1 (a) (3). Therefore, prior to conducting the poll, the Commission will establish the appropriate rates to include with the polling instrument.

As part of its rate making process, the Commission will direct Arrowhead (the telephone company serving Bena) and NWB (the telephone company serving Cass Lake and Bemidji) to file a cost study and proposed rates which meet the statutory criteria for such studies and rates. Minn. Stat. § 237.161, subds. 2 and 3 (1990). These studies and proposed rates and the comment period outlined in this Order will provide the Commission with the information it needs to determine the EAS rates that will be made available to Bena subscribers at the time of the polling.

#### NWB's Request for Variance

In its variance request, NWB merely seeks relief from having to follow the process established in Minn. Rules pt. 7815.0700 - 7815-1500 where that process has been superseded by the new EAS statute, Minn. Stat. § 237.161 (1990). Following the adoption of the new EAS statute, the Commission has always applied and will continue to apply the procedure established in the new EAS statute to the extent that it conflicts with Minn. Rules pt. 7815.0700 - 7815-1500. Since the Commission no longer requires the process that NWB seeks relief from, it is unnecessary to consider NWB's request further.

### ORDER

1. The petition for extended area service (EAS) from the Bena exchange to the Cass Lake and Bemidji exchanges meets the statutory requirements of adjacency and sufficient traffic.

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REQUIRING COST STUDIES AND PROPOSED RATES AND ESTABLISHING COMMENT PERIOD, October 9, 1990 at page 3.

2. Within 60 days of the date of this Order, Arrowhead Telephone Company (the telephone company serving the Bena exchange) and North western Bell Telephone Company (the telephone company serving the Cass Lake and Bemidji exchanges) shall file cost studies and proposed rates for EAS from the Bena exchange

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- a. They shall be based on all the requirements of Minn. Stat. §237.161, Section 1, Subd. 2 and 3 (1990);
- b. They shall assign 50% of the costs to the Bena

exchange and 50% of the costs to the Cass Lake/Bemidji local calling area (first rate alternative);

- c. They shall assign 75% of the costs to the Bena exchange and 25% of the costs to the Cass Lake/Bemidji local calling area (second rate alternative);

If either Arrowhead or NWB believes that the cost studies and proposed rates it has already filed meet these new requirements, it should so indicate.

3. Within 45 days of the filing required by Ordering Paragraph 1, the Department shall file a report and recommendation on the cost studies and proposed rates? The Department's report shall indicate whether the cost studies meet the requirements of Minn. Stat. §237.161 (1990) and include a recommendation regarding the percent of costs that should be assigned to the Bena exchange and to the Cass Lake/Bemidji local calling area.
4. Within 20 days following the filing of the Department's report, interested parties shall file comments on the Department's report and recommendation.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

(S E A L)